

DESCRIPTION OF PROPOSALS
RELATING TO
AIRPORT AND AIRWAY TRUST FUND
TAXES AND BUDGET AUTHORIZATIONS
SCHEDULED FOR A HEARING
BEFORE THE
SUBCOMMITTEE ON TAXATION AND
DEBT MANAGEMENT GENERALLY

PREPARED FOR THE
COMMITTEE ON FINANCE
BY THE STAFF OF THE
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

This pamphlet was prepared by the staff of the Joint Committee on Taxation for the hearing scheduled by the Subcommittee on Taxation and Debt Management Generally of the Senate Committee on Finance for September 8, 1980, on legislative proposals concerning extension and revision of the Airport and Airway Trust Fund and the aviation excise taxes currently deposited into the trust fund.

The Administration's trust fund and aviation tax proposal is contained in S. 1582 (introduced by request). The Senate has passed a trust fund authorization bill (S. 1648), which does not contain tax or trust fund amendments. The House is scheduled to consider a trust fund authorization and tax bill (H.R. 6721) within a few days. A Ways and Means Committee amendment to be offered to H.R. 6721 would extend the trust fund and aviation taxes for 5 years, or through September 30, 1985, reduce the air passenger ticket tax from 8 percent to 5 percent on October 1, 1982, and would modify certain other aviation taxes. In addition, S. 1649 would reduce or modify certain of the aviation taxes, and S. 2075 would amend the definition of an affiliated group for purposes of the air transportation excise taxes. (A public hearing on S. 2075 was held on June 24, 1980, by the Finance Subcommittee on Taxation and Debt Management Generally.)

The first part of the pamphlet is a discussion of present law and background regarding the trust fund taxes and trust fund budget authorizations. This is followed by a description of current legislative proposals relating to the trust fund taxes and trust fund budget authorizations. Finally, an Appendix presents projected revenue estimates of present law aviation taxes and the provisions of H.R. 6721, for fiscal years 1981-1985. The Appendix also gives a comparison of proposed trust fund authorization levels by program for fiscal years 1981-1985.

I. PRESENT LAW AND BACKGROUND OF AIRPORT AND AIRWAY TRUST FUND

A. Airport and Airway Trust Fund Taxes

The Airport and Airway Revenue Act of 1970 (title II of the Airport and Airway Development Act of 1970) increased some existing aviation user taxes, imposed some new aviation user taxes and established the Airport and Airway Trust Fund to receive revenues from these user taxes. These excise taxes are scheduled either to expire or be reduced under present law on October 1, 1980.¹

1. Air passenger and air freight excise taxes

Under present law, excise taxes are imposed on the transportation of persons and property by air.

Air passenger ticket tax

In the case of air passenger transportation within the United States, the tax presently is 8 percent of the amount of the airfare. It is scheduled to revert to 5 percent on October 1, 1980 (the pre-trust fund rate).²

Air transportation between the United States and a foreign station which is not more than 225 miles from the nearest point in the continental United States (i.e., within Canada and Mexico), as well as between two such foreign stations, generally is subject to the 8-percent tax where payment for the travel is made in the United States. This tax does not apply to transportation between the United States and other foreign stations where payment is made outside the United States, nor does it apply to the U.S. portions of certain uninterrupted international air transportation.³ Also, the 8-percent passenger tax does not apply to the portion of flights to or from or between Alaska and Hawaii which are not made over the United States.

International departure tax

There also is a \$3 per passenger departure tax (a new tax added by the 1970 Act) for international air transportation that begins in the United States and flights to or from Alaska and Hawaii. This tax is presently scheduled to terminate after September 30, 1980.

¹ Public Law 96-298 (H.R. 7477) extended the present trust fund taxes from July 1, 1980, through September 30, 1980, with a provision that the aircraft registration and use tax return (Code sec. 4491) for the taxable year beginning on July 1, 1980, would not have to be filed until October 31, 1980.

² In the absence of further legislation, the revenues from the 5-percent air passenger tax would go into the general fund (as was the case prior to the 1970 Act).

³ For the \$3 international departure tax to apply in lieu of the domestic air passenger ticket tax, the air transportation must be an uninterrupted international flight from a point beginning in the United States and ending outside the United States (and outside the 225-mile zone in Canada and Mexico). An uninterrupted international flight may have a stopover at a domestic point, without being subject to the domestic ticket tax, of no more than 6 hours.

Air freight waybill tax

In the case of air transportation of property, the 1970 Act imposed a new tax of 5 percent of the air freight waybill charge. This tax is scheduled to terminate on October 1, 1980. In determining taxable transportation, the same rules generally apply as for transportation of persons, except that the air freight tax applies only to amounts paid for transportation of property by air which begins and ends in the U.S.

Collection of taxes and exemption

These taxes are collected as part of the fare or waybill by the air carrier, for subsequent transfer by the Treasury to the trust fund. Exemptions from these taxes are provided for transportation by small aircraft on nonestablished lines and for private air transportation services provided within a group of affiliated corporations. (See a more detailed discussion of affiliated groups in item 5, below.) Aircraft not subject to these passenger or freight taxes are subject to the fuels tax, described below.

2. Aviation excise taxes on fuels, aircraft use, and tires and tubes

In addition to the taxes on air passenger and air freight fares, there is a 7-cents-per-gallon tax on aviation fuels (gasoline and other fuels, including jet fuels) used by noncommercial (general) aviation, an aircraft registration and use tax,⁴ and a tax on aircraft tires and tubes.⁵ The fuels tax was an increase from the previous net tax of 2 cents per gallon on gasoline for aviation use; the tax on gasoline is scheduled to be reduced to 4 cents per gallon on October 1, 1980, while the 7-cents-per-gallon tax on non-gasoline fuels (e.g., kerosene—jet fuels) is scheduled to expire on October 1, 1980. The aircraft use tax was new under the 1970 Act, and is scheduled to expire on October 1, 1980; and the tax on aircraft tires and tubes was merely a transfer of revenues from the excise taxes on such tires and tubes from the Highway Trust Fund.⁶

There is a general exemption (a refund or credit) from the aviation fuels tax for fuel sold for use or used on a farm for farming purposes. Also, the tax on aviation fuels and the tax on aircraft use do not apply to aircraft owned by a tax-exempt aircraft museum operated exclusively for the procurement, care, and exhibition of World War II aircraft. Further, there is a general exemption from the fuels tax for fuel sold for use or used by a State or local government, by a nonprofit educational organization, for fuels exported, and fuels used by commercial aircraft.

⁴ A tax of two parts: (1) a \$25 annual per plane registration tax, plus (2) a weight tax of 3½ cents per pound for turbine-powered (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of "maximum certificated takeoff weight."

⁵ Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound) under Code sec. 4071. (The tax on tubes is scheduled to decline to 9 cents per pound on October 1, 1984.)

⁶ In the absence of further legislation, the revenues from the taxes on aircraft tires and tubes would revert to the Highway Trust Fund on October 1, 1980.

3. Schedule of Airport and Airway Trust Fund excise taxes under present law

The following table shows the present law aviation excise taxes and the rate scheduled for October 1, 1980 under present law. (Appendix Table A-1 shows the estimated aviation tax revenues for fiscal years 1981-1985 under present law).

SCHEDULE OF AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES UNDER PRESENT LAW

Tax (and Code section)	Present rate	Rate scheduled for October 1, 1980
Air passenger ticket tax (secs. 4261 (a) and (b))	8%	5%
Air freight waybill tax (sec. 4271)	5%	---
International departure tax (sec. 4261(c))	\$3	---
Fuels tax for noncommercial (general) aviation (per gallon) (sec. 4041(c)) ¹	7¢	4 4¢
Aircraft use tax (sec. 4491) ¹	(2)	---
Aircraft tires and tubes tax (secs. 4071)	(3)	(3)

¹ The tax does not apply to aircraft, owned by a tax-exempt aircraft museum defined in sec. 4041(h), which are operated exclusively for the procurement, care, and exhibition of World War II aircraft.

² A tax of two parts: (1) a \$25 annual per plane registration tax, plus (2) a weight tax of 3½ cents per pound for turbine-powered (jet) aircraft and 2 cents per pound for nonturbine-powered aircraft for each pound in excess of 2,500 pounds of "maximum certificated takeoff weight."

³ Taxed at the general rates for nonhighway tires (5 cents per pound) and tubes (10 cents per pound) under Code sec. 4071.

⁴ Tax on gasoline fuel only. As of October 1, 1980, the additional 3 cents-per-gallon tax on gasoline used in noncommercial aviation aircraft would expire, and the 7-cents-per-gallon tax on non-gasoline fuels (e.g., kerosene—jet fuel) would also expire.

4. Manner in which the tax on air transportation is required to be shown on airline tickets

For air transportation that is entirely subject to the air passenger ticket tax imposed under Code section 4261 (a) and (b), present law (Code sec. 7275) requires that an airline ticket show the total of (a) the amount paid for the air transportation and (b) the Federal excise tax on the air transportation. Further, if amounts paid with respect to any segment of the air transportation are shown on the ticket, the ticket also must show the total of the amount paid and the Federal excise tax with respect to each segment, as well as for the sum of the segments.

In addition, any advertising of taxable air transportation (i.e., as taxed under Code sec. 4261 (a), (b), and (c)) which states the cost of such transportation is required to state such cost as the total of (a) the amount paid for the air transportation and (b) the Federal excise tax. Where the advertising separately states the amount to be paid for the air transportation and the Federal excise tax, the advertising must show the combined total (transportation plus tax) at least as prominently as the other stated amounts, and the excise tax is to be described substantially as "user taxes to pay for airport construction and airway safety and operations." Finally, present law provides a penalty of not more than \$100 for each violation upon conviction (as a misdemeanor).

5. Definition of an affiliated group for purposes of the air transportation excise taxes

The excise taxes on air passenger tickets (under Code sec. 4261) and air freight waybills (under Code sec. 4271) apply to commercial aviation, that is, as a business of transporting persons or property for compensation or hire by air.

Code sections 4281 and 4282 provide two exceptions to the air passenger and air freight taxes. Code section 4281 provides that the taxes do not apply to transportation by an aircraft having a maximum take-off weight of 6,000 pounds or less, except when the aircraft is operated on an established line. Code section 4282 provides for an exception for certain air transportation provided for other members of an affiliated group. This exception is applicable for air transportation provided by a member of an affiliated group⁷ to another member of the affiliated group where the aircraft so used is not available for hire by persons who are not members of the affiliated group.

The aviation fuels taxes for noncommercial aviation (under Code sec. 4041(c)) apply in such instances where the transportation taxes do not apply.

⁷ "Affiliated group" is a group of corporations connected through common stock ownership (as defined in Code sec. 1504(a)), except that, for purposes of the transportation tax exception, all such corporations are treated as the includible corporation, without any exclusion under Code sec. 1504(b)).

B. Airport and Airway Trust Fund Budget Authority

1. Background

1970 Act and 1971 amendment

The Airport and Airway Trust Fund was established as of July 1, 1970 (Title II of the Airport and Airway Development Act of 1970; Public Law 91-258), and authority to appropriate from the trust fund is scheduled to expire as of September 30, 1980. The 1970 Act provided that new and increased aviation user taxes were to be deposited into the trust fund and, with interest earned on the deposits, were to be available to meet specified airport and airway obligations of the United States incurred under Title I of the 1970 Act, as it was in effect on the date of enactment. As a result, subsequent expansion of Title I trust fund budget authority was to require corresponding amendments to the Title II trust fund language, which is within the jurisdiction of the Ways and Means and Finance Committees.

The 1970 Act authorized trust fund expenditures through fiscal year 1975 for the maintenance and operation of air navigation facilities, qualified airport planning and construction purposes, airway facilities and equipment, research and development, safety, and related departmental administrative expenses. A 1971 amendment (Public Law 92-174) to Title I of the 1970 Act, however, removed the authority for spending trust fund monies for maintenance and operation of the airway system. This amendment also limited the authority for meeting administrative costs from the trust fund only to such administrative expenses related to the remaining authorized purposes.

1973 amendment

A 1973 amendment (Public Law 93-44) to Title I of the 1970 Act increased the authorization levels for airport grants for fiscal years 1974 and 1975, increased the Federal share for certain airport grants and safety and security equipment costs, and amended the definition of airport development to specifically include airport security equipment required under DOT regulations.

1976 amendment

The Airport and Airway Development Act Amendments of 1976 (Public Law 94-353) further amended Title I of the 1970 Act to include several additional expenditure categories to be authorized from the trust fund. The new expenditure categories were: snow removal equipment; noise suppressing equipment; construction of physical barriers and landscaping for the purpose of reducing the effect of aircraft noise in areas adjacent to public airports; acquisition of land or property interests for airport noise control purposes; airport terminal development (the public, nonrevenue-producing areas, including baggage facilities and passenger moving equipment); and specified amounts for maintenance of airway facilities. Thus, the 1971 prohibi-

tion against authorizing airway maintenance costs from the Trust Fund was partially removed in the 1976 amendment.

In addition, the 1976 Act provided authorization levels for airport grants and other existing trust fund expenditure programs through fiscal year 1980, and increased the Federal share for certain airport grants for fiscal years 1977 and 1978. The 1976 Act also included a Ways and Means Committee amendment to the trust fund language to conform to the Public Works Committee authorization provisions added by the Act.

1979 amendment

The Aviation Safety and Noise Abatement Act of 1979 (Public Law 96-193) further amended title I of the 1970 Act to authorize trust fund appropriations for airport noise compatibility planning and airport noise compatibility grants. \$15 million was authorized for the planning grants for the fiscal year 1980, and \$25 million was authorized for fiscal year 1980 for the program grants.

The 1979 Act also increased the airport development authorization amounts for fiscal year 1980 from \$525 million to \$569 million for air carrier airports and from \$85 million to \$98 million for general aviation airports. In addition, the Act amended the trust fund language (sec. 208(f)(1)(A) of the Airport and Airway Revenue Act of 1970; 49 U.S.C. 1742(f)(1)(A)) to conform to the 1979 amendments. Thus, the present trust fund statute contains language to authorize obligations incurred under Title I of the 1970 Act, under the 1976 Act amendments or under the 1979 Act amendments; that is, "as such Acts were in effect on the date of enactment of the Aviation Safety and Noise Abatement Act of 1979."

2. Present law trust fund authorization purposes

The following outline presents a summary listing of the Airport and Airway Trust Fund expenditure programs authorized under present law.

AIRPORT AND AIRWAY TRUST FUND EXPENDITURE PURPOSES UNDER PRESENT LAW

1. *Airport planning*.—grants to planning agencies for airport system planning and public agencies for airport master planning; also, airport noise compatibility planning grants for air carrier airports eligible for terminal development costs.

2. *Airport Development Aid Program (ADAP)*.—

(a) *Airport construction*.—Construction, improvement or repair of a public airport (includes removal of airport hazards and construction of physical barriers and landscaping to diminish noise).

(b) *Airport terminal facilities*.—Nonrevenue-producing public-use areas which are directly related to movement of passengers and baggage at certificated air carrier airports having required safety and security equipment (includes baggage facilities and passenger-moving equipment); does not include costs of construction of public parking facility for passenger automobiles or costs of construction, alteration, or repair of a hangar or any airport building unless used to house facilities or activities directly related to safety of persons at the airport. These facilities include multimodal terminal development and bond retirement for certain airports.

(c) *Land acquisition*.—Includes land or property interests for airport noise control purposes.

(d) *Airport-related equipment*.—Airport security equipment required by DOT regulations, snow removal equipment, noise suppressing equipment, navigation aids, and safety equipment required for airport certification.

(e) *Airport noise compatibility programs*.—Includes soundproofing of public buildings; local governmental units are eligible for project grants as well as airports.

3. *Facilities and Equipment Program (F&E)*.—Costs of acquiring, establishing, and improving air navigation facilities.

4. *Research, Engineering, Development, and Demonstration Program (R&D)*.—Projects in connection with FAA research and development activities.

5. *Operations and Maintenance Programs (O&M)*.—Flight check and maintenance of air navigation facilities; services provided under international agreements relating to the joint financing of air navigation services assessed against the U.S. Government.

6. *Other costs*.—Certain airline costs of international passenger security screening facilities.

3. Trust fund balance

As of the end of fiscal year 1979 (September 30, 1979), the Airport and Airway Trust Fund had a cash balance of \$4,392 million, of which \$2,742 million was the uncommitted balance. The trust fund balance is estimated to be \$3.5 billion at the end of fiscal year 1980.

II. DESCRIPTION OF LEGISLATIVE PROPOSALS

A. Aviation Excise Taxes

1. H.R. 6721—Airport and Airway Revenue Act of 1980

The House Committee on Ways and Means approved a committee amendment on May 28, 1980, to be offered as a separate title II to H.R. 6721, as reported by the Committee on Public Works and Transportation and the Committee on Science and Technology.

The following is a description of the Ways and Means Committee amendment to extend the Airport and Airway Trust Fund and aviation excise taxes for 5 years. (The estimated revenue effects of the Ways and Means Committee amendment are shown in Appendix tables A-2 and A-3.)

Air passenger ticket tax

Tax rate

The Ways and Means Committee amendment extends the present 8-percent air passenger ticket tax through September 30, 1982. On October 1, 1982, the rate of tax will be 5 percent. (The revenues from this tax will be transferred to the Airport and Airway Trust Fund through September 30, 1985.)

The Committee on Ways and Means indicates that it intends to thoroughly review the financing of the Airport and Airway Trust Fund prior to the October 1, 1982 reduction in the air passenger ticket tax from 8 percent to 5 percent.¹ The Ways and Means Committee states that it wants to insure that the issues of appropriate tax levels and the appropriate types of taxes on various users of the airway system will be reexamined prior to that time. The Ways and Means Committee expects that these issues and alternatives to the present taxes will be studied during this period by the Departments of Treasury and Transportation, in consultation with the staff of the Joint Committee on Taxation, and that resulting recommendations will be available to the Ways and Means Committee by the time it is ready to act on this matter.

225-mile zone

The Ways and Means Committee amendment grants the Secretary of the Treasury the authority to waive the 225-mile zone rule if the Secretary determines that Canada or Mexico has entered into a "qualified agreement" regarding the tax treatment of persons travelling by air between the United States and that country. The agreement must set forth what transportation of persons by air is to be subject to tax by which country as well as an agreed upon appropriate tax for such

¹ See Ways and Means Committee document: "Explanation of the Airport and Airway Revenue Act of 1980" (WMCP: 96-62; June 9, 1980, p. 9).

air travel. The agreement is to provide a satisfactory definition of transportation beginning or ending in the United States and ending or beginning in the other country. The Ways and Means Committee's intention is that transportation beginning in the United States and ending in Canada or Mexico, as well as transportation beginning in Canada or Mexico and ending in the United States, be subject only to an appropriate tax by one country. This is intended by the Ways and Means Committee to avoid double taxation of round-trip flights between countries under their respective domestic air passenger ticket tax, as is the case now with respect to Canada-United States air transportation.

Once the Secretary of the Treasury determines that Canada or Mexico has entered into a qualified agreement, the Secretary shall publish a notice of the determination in the *Federal Register*, along with a notice of the effective date of the waiver of the 225-mile zone rule. The waiver may be terminated by the Secretary if it is determined that a qualified agreement is no longer in effect. Upon such a determination, the Secretary is also to publish a notice in the *Federal Register*, indicating the effective date of the termination.

International departure tax

The Ways and Means Committee amendment extends the present \$3 international departure tax through September 30, 1985. In addition, the committee amendment changes the present 6-hour layover rule for determining whether a flight is an international flight to a 12-hour rule. Thus, for a ticket purchased in the U.S., a flight beginning in the United States and ending outside the U.S. (and outside the present 225-mile zone) will be treated as an uninterrupted international flight (subject only to the \$3 international departure tax) if a U.S. stopover is not more than 12 hours. For example, a trip beginning in Chicago, and continuing on to London, may have a stopover point in New York for up to 12 hours without being subject to the 8-percent ticket tax on the domestic portion of the flight.

Air freight tax

The Ways and Means Committee amendment also extends the present 5-percent air freight waybill tax through September 30, 1985.

Fuels taxes on noncommercial aviation

The Ways and Means Committee amendment increases the fuels tax on gasoline and other fuels (e.g., kerosene-jet fuel) from 7 cents per gallon to 8½ cents per gallon, for the period July 1, 1980 through September 30, 1985.

Aircraft registration and use tax

The Ways and Means Committee amendment repeals (allows to expire) the aircraft use tax (\$25 per plane tax and weight tax) for noncommercial aircraft, effective July 1, 1980. The amendment extends the present aircraft use tax for commercial aircraft, for the period July 1, 1980 through September 30, 1985. Commercial aircraft means any civil aircraft operating in the navigable airspace of the United States in a business of transporting persons or property for compensation or hire by air. Thus, the aircraft use tax will apply to aircraft subject to the air passenger ticket or air freight waybill taxes. The

Ways and Means Committee indicates that where an aircraft is used both for commercial transportation and for noncommercial purposes, the aircraft use tax will apply upon the first such commercial use during the taxable year.

The taxable year continues to be July 1-June 30 for purposes of the aircraft use tax, and the weight portion of the tax will continue to be imposed as of the month in which the aircraft is first used for commercial purposes. The weight portion of the tax is prorated if the first use occurs after the first month of the taxable year. (The \$25 portion of the use tax is not prorated.) For example, if the aircraft is first used in November of the taxable year, the weight portion of the use tax is $\frac{8}{12}$ of the annual rate.²

Tax on aircraft tires and tubes

In addition, the Ways and Means Committee amendment continues the transfer to the Airport and Airway Trust Fund of the revenues from the existing excise taxes on tires and tubes used on aircraft. This is merely a transfer of such revenues from the Highway Trust Fund.

Manner in which the tax on air transportation is required to be shown on airline tickets³

The Ways and Means Committee amendment also repeals the present requirement that air transportation tickets show the total of the amount paid and the Federal excise tax for each segment of the transportation in cases where the ticket shows the amount paid by segments. It retains the requirement, however, that the tickets show the total of the amount paid and the amount of Federal excise tax imposed on the air transportation.

This provision of the committee amendment is effective with respect to transportation beginning after the date of enactment.

² Under the committee amendment, there is a special transitional rule for the 3-month period, July 1, 1985-September 30, 1985, so that the tax will only apply for that 3-month portion of the taxable year.

³ On May 21, 1980, this provision was reported by the Committee on Ways and Means as a separate bill (H.R. 4725; H. Rept. 96-1046).

2. Administration proposal (S. 1582)

S. 1582 (introduced by request) contains the Administration's aviation excise tax proposals. This bill (the same as title II of H.R. 3745) would provide the following:

(a) extend the 8-percent air passenger ticket tax through September 30, 1990;

(b) extend the 5-percent air freight waybill tax through September 30, 1990;

(c) extend the \$3 international departure tax through September 30, 1990;

(d) change the general aviation fuels tax from 7 cents per gallon to an *ad valorem* tax of 10 percent of the retail price, effective July 1, 1980 through September 30, 1990; and

(e) impose a new 6-percent excise tax on the retail sale or lease of general aviation aircraft and avionics (electrical or electronic equipment used for communication or navigation purposes), effective October 1, 1980 through September 30, 1990.

Thus, the Administration proposal would extend most of the existing aviation excise taxes through September 30, 1990 (fiscal 1990) at their present tax rates, change the general aviation fuel tax to an *ad valorem* tax at retail, and impose a new excise tax on general aviation aircraft and avionics. (The Administration proposal also would extend, as noted below, the Airport and Airway Trust Fund through September 30, 1990.)

3. S. 1649—Airport and Airway Revenue Act of 1979

The bill would (for the period July 1, 1980 through September 30, 1990):

(a) reduce the air passenger ticket tax to 2 percent;

(b) extend the 5-percent air freight waybill tax;

(c) change the general aviation fuel taxes to a 6-percent *ad valorem* tax at retail; and

(d) extend the present aircraft use tax.

(S. 1649 also would extend the Airport and Airway Trust Fund through September 30, 1990.)

4. S. 2075—Definition of an affiliated group for purposes of the air transportation excise taxes

The bill would expand the affiliated group exception from the air transportation excise taxes for controlled corporations to include tax-exempt labor organizations (under Code sec. 501) and their tax-exempt trusts (and any wholly-owned corporations of such trusts) established for the sole and exclusive benefit of the members of such labor organization and their families and dependents.

Effective date

The bill would be effective upon the date of enactment.

Revenue effect

This bill is estimated to have a insignificant revenue effect.

B. Airport and Airway Trust Fund

1. Extension of the trust fund

S. 1582 and S. 1649

The Administration proposal (in S. 1582) and S. 1649 would extend the Airport and Airway Trust Fund for 10 years, or through September 30, 1990 (fiscal year 1990).

H.R. 6721

The Ways and Means Committee amendment to H.R. 6721 would extend the Airport and Airway Trust Fund for five years, or through September 30, 1985, to provide financing for the fiscal 1981-1985 program authorization under the bill.

2. Trust fund budget authorization levels

While S. 1582 and S. 1649 would extend the life of the trust fund through fiscal year 1990, the Senate-passed authorization bill, S. 1648,¹ and H.R. 6721 would only provide specific trust fund budget authorizations for 5 years, or through fiscal year 1985.

Subsequent to the Senate passage of S. 1648, H.R. 6721 (the Airport and Airway Improvement Act of 1980) was introduced and was referred to the House Committees on Public Works and Transportation and Science and Technology. The Committee on Science and Technology reported H.R. 6721 on April 21, 1980 (H. Rept. 96-887, part 1), and the Public Works and Transportation Committee reported H.R. 6721 on May 13, 1980. (H. Rept. 96-887, part 2).

Appendix Table A-4 gives a summary comparison of the Airport and Airway Trust Fund program authorization levels for fiscal years 1981-1985 under the Administration proposal (contained in H.R. 3745), H.R. 6721, and S. 1648.

¹S. 1648 (the Airport and Airway System Development Act of 1979) was reported by the Senate Committee on Commerce, Science, and Transportation on November 15, 1979 (S. Rept. No. 96-415), and was passed by the Senate on February 5, 1980. While S. 1648 authorizes appropriations from the Airport and Airway Trust Fund for fiscal years 1981-1985, the bill does not specifically amend the trust fund language nor does it amend the aviation excise tax provisions.

3. Trust fund expenditure purposes

S. 1648

Under S. 1648, as passed the Senate, the following additional expenditure purposes would be authorized from the Airport and Airway Trust Fund.

Airport development.—

(1) *Public-use airports.*—Modifies the definition of eligible airports to include (in addition to public airports) privately-owned reliever airports used or to be used for public purposes.

(2) *Airport-related equipment.*—Aviation-related weather reporting equipment (presently allowed under the Facilities and Equipment program, if it is a navigational aid).

Also, S. 1648 would delete the present law authority to use ADAP funds to retire the principal on bonds used to finance terminal development. In addition, the bill would, after fiscal 1981, remove certain larger air carrier airports from the ADAP grant program.

H.R. 6721

Under H.R. 6721, as reported by the Public Works and Transportation Committee, the following additional expenditure purposes would be authorized from the Airport and Airway Trust Fund (all of which are approved as eligible functions under the Ways and Means Committee amendment, except for ground access costs).

1. Airport development—

(a) *Public-use airports.*—Modifies the definition of eligible airports to include (in addition to public airports) privately-owned reliever airports or other privately-owned airports enplaning 2,500 or more passengers annually and receiving scheduled public passenger service. (The public use must be available for the economic life, not less than 10 years, of the facility that was developed with Federal funds.)

(b) *Terminal facilities.*—Adds commuter airports as eligible.

(c) *Ground access costs.*—Developing, constructing, reconstructing, or improving a ground access system (public transportation or highway system), within 5 miles of the airport property; no such ground access system may be approved for funding unless the Secretary determines that there are no unmet safety needs at the airport and the system will be used primarily by those traveling to or from the airport.²

(d) *Airport-related equipment.*—Aviation-related weather reporting equipment (presently allowed under the Facilities and Equipment program, if it is a navigational aid).

2. *Research, Engineering, Development, and Demonstration.*—Unlike present law, research and development funds (and specific amounts) are specifically earmarked for:

² This expenditure purpose is not to be allowed under the Ways and Means Committee amendment.

- (a) air traffic control purposes;
- (b) navigation purposes;
- (c) aviation weather purposes;
- (d) aviation medicine purposes; and
- (e) amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law.³

3. *Airway operations*.—Limited costs of operating air navigation facilities would be added to certain costs of maintaining such facilities.

4. *Training of State and local government employees*.—Up to \$250,000 per year would be authorized for training purposes related to the provisions of the bill.

5. *Study of certain air traffic control needs*.—Relating to air traffic control needs in the northeastern United States (6-month study).

Effective date

The trust fund amendments are effective for fiscal years 1981–1985.

³ As reported by the Committee on Science and Technology, R&D authorizations would also include specific funds for Air Traffic Control computer modernization. (The Science and Technology Committee also increased the amounts authorized for R&D.)

APPENDIX:
STATISTICAL DATA ON AIRPORT AND
AIRWAY TRUST FUND TAXES
AND AUTHORIZATIONS, FISCAL
YEARS 1980-1985

Table A-1.—Estimated Aviation Excise Tax Receipts Under Present Law, Fiscal Years 1980–1985

[Millions of dollars]

Tax	1980	1981	1982	1983	1984	1985
Passenger ticket tax ¹ -----	1, 584	1, 077	1, 181	1, 298	1, 432	1, 573
Air freight waybill tax ² -----	93	-----	-----	-----	-----	-----
International departure tax ² -----	79	-----	-----	-----	-----	-----
Fuels tax for non-commercial aviation ³ -----	74	17	18	18	19	8
Registration and use tax ² -----	26	-----	-----	-----	-----	-----
Tires and tubes ⁴ -----	1	1	1	1	1	1
Total, present law receipts-----	1, 857	1, 095	1, 200	1, 317	1, 452	1, 582

¹ The passenger ticket tax would decrease to 5 percent after September 30, 1980, and the revenues would go into the general fund.

² This tax would expire after September 30, 1980.

³ The tax on jet fuel would expire after September 30, 1980. The tax on aviation gasoline would decrease to four cents for the period October 1, 1980, through September 30, 1984, and to one and one-half cents thereafter.

⁴ After September 30, 1980, the revenues from the taxes on aircraft tires and tubes would revert to the Highway Trust Fund.

Table A-2.—Estimated Increase in Airport and Airway Trust Fund Tax Receipts Under Ways and Means Committee Amendment to H.R. 6721, Fiscal Years 1981-1985

[Millions of dollars]

Tax	1981	1982	1983	1984	1985
Passenger ticket tax ¹ -----	646	709	106	-----	-----
Air freight waybill tax ² -----	111	130	150	171	195
International departure tax ³ -----	81	87	91	97	102
Fuels tax for noncommercial aviation ⁴ -----	75	80	84	91	110
Registration and use tax ⁵ -----	17	18	19	19	20
Tires and tubes ⁶ -----	-----	-----	-----	-----	-----
 Total, committee amendment receipts-----	 930	 1,024	 450	 378	 427

¹ Extended to 8 percent through September 30, 1982, and then at 5 percent beginning on October 1, 1982 (same as present law rate for after September 30, 1980). The Ways and Means Committee amendment also removes the present 225-mile zone rule with respect to air travel within the zone in Canada and Mexico when the Secretary of the Treasury reaches a satisfactory agreement with those countries. When implemented, receipts will be decreased by approximately \$25 million per year.

² Extended at 5 percent through September 30, 1985.

³ Extended at \$3 per person through September 30, 1985.

⁴ Increased this tax to eight and one-half cents total per gallon July 1, 1980 through September 30, 1985.

⁵ Extended at rates existing before July 1, 1980, only for commercial aircraft.

⁶ Extended at present law rates.

Table A-3.—Estimated Total Airport and Airway Trust Fund Tax Receipts Under Ways and Means Committee Amendment to H.R. 6721, Fiscal Years 1981-1985

[Millions of dollars]

Tax	1981	1982	1983	1984	1985
Passenger ticket tax ¹ -----	1, 723	1, 890	1, 404	1, 432	1, 573
Air freight waybill tax ² -----	111	130	150	171	195
International departure tax ³ -----	81	87	91	97	102
Fuels tax for non-commercial aviation ⁴ -----	92	98	102	110	118
Registration and use tax ⁵ -----	17	18	19	19	20
Tires and tubes ⁶ -----	1	1	1	1	1
Total, trust fund receipts-----	2, 025	2, 224	1, 767	1, 830	2, 009

¹ 8 percent through September 30, 1982, and then at 5 percent beginning on October 1, 1982. The committee amendment also removes the present 225-mile zone rule with respect to air travel within the zone in Canada and Mexico when the Secretary of the Treasury reaches a satisfactory agreement with those countries. When implemented, receipts will be decreased by approximately \$25 million per year.

² At 5 percent through September 30, 1985.

³ \$3 per person through September 30, 1985.

⁴ At eight and one-half cents per gallon through September 30, 1985.

⁵ Extended at rates existing before July 1, 1980, only for commercial aircraft.

⁶ Extended at present law rates.

Table A-4.—Comparison of Proposed Airport and Airway Trust Fund Program Authorization Levels for Fiscal Years 1981-85 (and Present Law Level for Fiscal 1980)

[Millions of dollars]

Fiscal year	Administra- tion (H.R. 3745)	H.R. 6721 (as reported)	S. 1648 (as passed the Senate)
<i>Airport Development and Planning (ADAP)</i>			
1980 (present law)-----	682	682	682
1981-----	¹ 700	875	825
1982-----	750	936	600
1983-----	800	1, 002	550
1984-----	850	1, 072	600
1985-----	900	1, 147	650
1981-85 subtotal-----	4, 000	5, 032	² 3, 225
<i>Airway Facilities and Equipment (F & E)</i>			
1980 (present law)-----	250	250	250
1981-----	350	525	400
1982-----	385	562	450
1983-----	420	601	550
1984-----	455	643	600
1985-----	490	688	750
1981-85 subtotal-----	2, 100	3, 109	2, 750
<i>Operations and Maintenance (O & M)</i>			
1980 (present law)-----	325	325	325
1981-----	1, 300	400	350
1982-----	1, 450	428	375
1983-----	1, 600	458	400
1984-----	1, 750	490	425
1985-----	1, 900	524	450
1981-85 subtotal-----	8, 000	2, 300	2, 000

¹ In its revised fiscal 1981 budget proposal, the Administration reduced this amount to \$650 million.

² For fiscal years beginning after 1981, S. 1648 would "defederalize" the medium and large-sized airports, thereby reducing the amount of ADAP funds after fiscal 1981.

Table A-4.—Continued

[Millions of dollars]

Fiscal year	Administra- tion (H.R. 3745)	H.R. 6721	S. 1648
<i>Research and Development (R&D)</i>			
1980 (present law)-----	50	50	50
1981-----	90	³ 85	90
1982-----	95	(³)	95
1983-----	100	(³)	100
1984-----	105	(³)	105
1985-----	110	(³)	110
1981-85 subtotal-----	500	³ 85	500
<i>Noise Abatement Planning and Programs</i>			
1980 (present law)-----	40	40	40
1981-----	(⁴)	150	(⁴)
1982-----	(⁴)	165	(⁴)
1983-----	(⁴)	180	(⁴)
1984-----	(⁴)	195	(⁴)
1985-----	(⁴)	210	(⁴)
1981-85 subtotal-----	(⁴)	900	(⁴)
<i>Total Trust Fund Authorizations</i>			
1980 (present law)-----	1, 347	1, 347	1, 347
1981-----	2, 455	2, 035	1, 680
1982-----	2, 695	2, 091	1, 535
1983-----	2, 935	2, 241	1, 615
1984-----	3, 175	2, 400	1, 745
1985-----	3, 415	2, 569	1, 975
1981-85 total-----	14, 675	11, 396	8, 550

³ The 1-year R. & D. amount included in H.R. 6721 for \$85 million is as reported by the House Committee on Public Works and Transportation; the bill as reported by the House Committee on Science and Technology includes \$107 million for fiscal year 1981. R. & D. authorizations for fiscal years 1982-85 would be made later.

⁴ H.R. 3745 and S. 1648 would include certain noise abatement purposes within the ADAP funding authorization amount rather than authorizing separate, additional amounts as under H.R. 6721.